

MW

*The Power
of Innovation*

On the strength of the expertise gained over the years that has made the Corporation a leader in its energy sectors, Boralex is now regarded as one of the most important independant power producers of electricity in Canada, and the largest wood-residue electricity producer in North America.

The Corporation owns and operates twelve power stations located in Québec, the United States and France, as well as an urban wood recovery and sorting centre in Montréal. In addition, Boralex holds a 34% interest in Boralex Power Income Fund (the "Fund"), which owns eight power stations in Québec. Management of the Fund and its power stations is provided by Boralex.

Together, Boralex and the Fund employ more than 230 workers and have a combined total installed capacity of more than 360 MW. Their operations focus on four types of power generation in fields where Boralex has developed proven expertise. These are centred on renewable energy and green energy.

Wood-residue energy

This type of production alone comprises seven thermal power stations and one wood-residue cogeneration power station, with a combined installed capacity of 264 MW. Two of these power stations are located in Québec and six are in the north-eastern United States.

Natural gas-fired cogeneration energy

A pioneer in this field in Québec, Boralex operates the only gas-fired cogeneration plant currently running in Québec, as well as a second plant of the same type in Blendecques, in the north of France. These two facilities have a combined installed capacity of 45 MW.

Hydroelectric energy

Recognized for its expertise in hydroelectricity, Boralex operates nine power stations in Québec, the United States and France, with a combined installed capacity of 41 MW.

Wind energy

With its focus on producing energy from renewable resources, Boralex has begun to diversify its sources of energy and build on its expertise in this promising area; at the moment, the Corporation operates ten wind turbines with a combined capacity of 8 MW in Avignonet-Lauragais, France.

Cascades Inc. holds 40% of the Corporation. Boralex's stock trades on the Toronto Stock Exchange under the symbol BLX.A. Boralex Power Income Fund's units trade under the symbol BPT.UN.

2	Financial and Operational Highlights
4	Message to Shareholders
8	Review of Operations
16	Information on Sites
17	Social and Environmental Report
19	Management's Discussion and Analysis of Operating Results and Financial Position
22	Management's Report and Auditors' Report
23	Consolidated Financial Statements
27	Notes to Consolidated Financial Statements
41	Five-Year Financial Review
42	Board of Directors and Management
42	Stock Data
	inside back cover
	General Information



Wood-residue energy

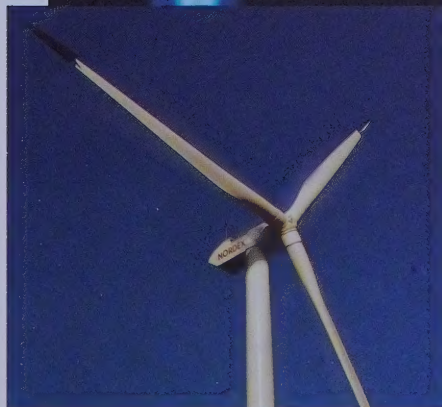


Hydroelectric energy

Natural gas-fired energy



Wind energy

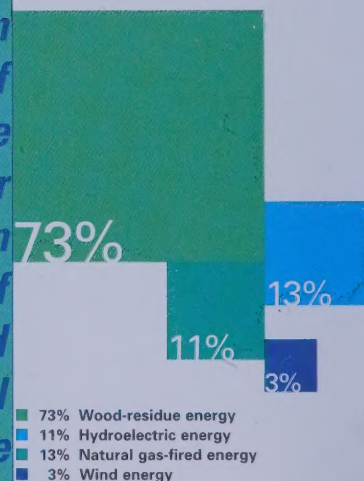


***The Power
of Innovation***

With an increase of almost 10% in electricity sales for 2002 and net earnings of \$62 million, including an unusual gain on the sale of power stations to the Boralex Power Income Fund of \$58,7 million, Boralex is in an enviable position from a financial point of view. With its available cash resources and low long-term debt load, the Corporation will be able to take advantage of attractive acquisition opportunities that arise.

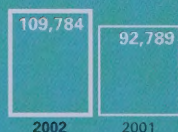
Diversification by type of power station

(installed capacity
as at September 30, 2002)



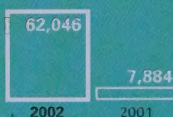
Revenue ⁽¹⁾

(in thousands of dollars)



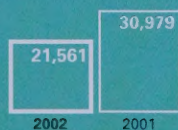
Net Earnings

(in thousands of dollars)



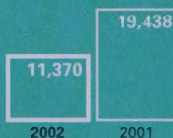
EBITDA ⁽²⁾

(in thousands of dollars)



Cash Flow from Operations

(in thousands of dollars)



⁽¹⁾ Revenue include revenue from energy sales and other revenue.

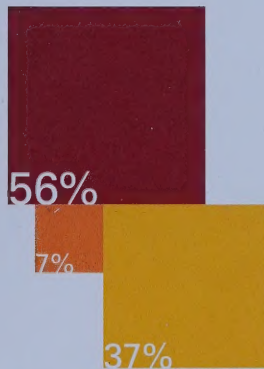
⁽²⁾ Earnings before amortization, financial expenses, interest income, unusual items, provisions for income taxes and non-controlling interests.

Years ended September 30
(in thousands of dollars, unless otherwise noted)

Financial and Operational Highlights

Geographic diversification

(installed capacity
as at September 30, 2002)



■ 56% United States
■ 37% Canada
■ 7% France

Financial Performance

	2002	2001
Revenue	109,784	92,789
Share in earnings of the Fund	5,512	-
EBITDA	21,561	30,979
Net earnings	62,046	7,884
Per share (\$)	2.07	0.31
Cash flow from operations	11,370	19,438
Weighted average number of shares	29,940,262	24,366,534

Financial Position

	2002	2001
Working capital	37,562	(29,538)
Property, plant and equipment	121,538	320,348
Investment ⁽¹⁾	88,680	-
Assets	277,961	354,314
Long-term debt, excluding current portion	32,889	153,172
Shareholders' equity	191,870	129,283

Operational Data

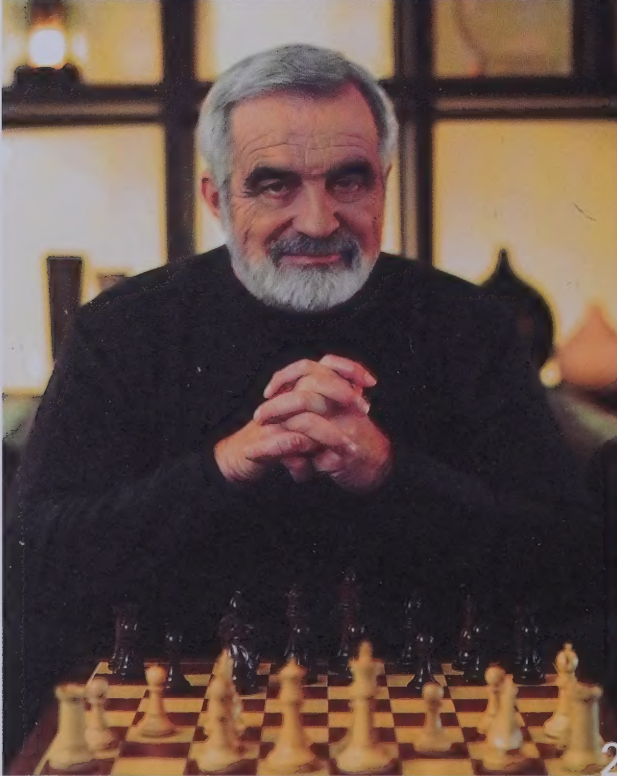
	2002	2001
Installed capacity at year end (MW)	221.0	290.0
Electricity		
Electricity deliveries (MWh)	1,345,020	1,147,148
Revenue (in thousands of dollars)	91,727	68,782 ⁽²⁾
Average selling price (\$/MWh)	68.20	59.96
Steam		
Steam deliveries (thousand pounds of steam)	1,129,866	2,639,711
Revenue (in thousands of dollars)	8,520	19,373
Average selling price (\$/thousand pounds of steam)	7.54	7.34

⁽¹⁾ The investment represents the Corporation's interest in the Fund.

⁽²⁾ Excluding management fees of \$3.2 million realized during interim period preceding the closing date of an acquisition.



***A Solid
Foundation
for Growth***



1
Jacques Gauthier
President and Chief Executive Officer

2
Bernard Lemaire
Executive Chairman of the Board

The sharp decline of the stock market in 2002 convinced droves of investors to flee to dependable gilt-edged securities. At that point, because of its investment in renewable energy – the way of the future – Boralex became a smart choice.

We are now in a position to look at the possibility of major acquisitions that will promote very dynamic growth. We are confident that our expertise – always one of our strong points – will be very valuable when it comes to analyzing the projects that are now within our reach.

For the fiscal year ended September 30, Boralex (the "Corporation") posted record net earnings of \$62 million, or \$2.07 per share; it should be noted, however, that a significant portion of these net earnings, specifically \$58.7 million, or \$1.96 per share, consists of an unusual gain from the second-quarter sale of power stations to the Boralex Power Income Fund (the "Fund"). Net of this amount, which attests to the quality of the assets developed by the Corporation, our latest annual results reflect the impact of a number of factors on our costs and profit margins. Our performance also demonstrates Boralex's ability to pull ahead of the competition even when economic conditions do not favour the energy industry, as was the case in North America in 2002.

Tough Times for Power Producers, but Boralex Consolidated Its Position

The Corporation ended the fiscal year with EBITDA of \$21.6 million on total electricity sales of \$100 million, versus \$31 million on sales of \$91 million a year earlier. Many factors combined to produce this decrease. Nature played a part, since the low level of precipitation reduced production at our hydroelectric stations in Canada.

The economy was another factor: the considerable drop in electricity prices in the United States, coupled with a significant increase in the cost of wood residue, forced us in June to halt production temporarily at two of our thermal power stations in Maine. These two stations, with a combined capacity of 56 MW, will start generating again as soon as U.S. electricity prices improve to profitable levels once more.

The sharp decline of the stock market in 2002 convinced many investors to flee to investments. We took advantage of this situation to consolidate our position by going ahead with what was to be for us the high point of the year: the creation of the Boralex Power Income Fund.

Launched during the second quarter, the Fund announced on February 20 that it had successfully completed its initial public offering and that its units were now trading on the Toronto Stock Exchange. A total of 26.8 million Class A trust units were issued to the public at \$10 each, for net proceeds of \$237 million. Including the 13.7 million Class B trust units held by Boralex, for a total of \$138 million, the proceeds of this initial public offering were used by the Fund to acquire eight power stations: seven from the Corporation and one from RSP Hydro Trust. Investors all across Canada responded to the Fund's creation with great interest, justifying our confidence in seeing this innovative type of financing as one of the drivers of our future growth. Clearly, investors have recognized Boralex's leadership and the outstanding quality of our power generation facilities. They also welcomed the fact that the Corporation owns a 34% interest in the Fund, which is a clear sign of its interest in the development and success of this new investment vehicle.

Creating the Fund has given Boralex a very strong capital structure. To reach its potential, the Corporation needs access to considerable capital, with a view to building new generating facilities or making growth-oriented acquisitions. The Fund provides an excellent source of leverage in this respect: it has already enabled us to make the Corporation virtually debt-free, following the repayment of most of the long-term debt. This will provide a particularly strong foundation for our continued development. Boralex is now in a position to look at the possibility of major acquisitions that will promote very dynamic growth. We are

confident that our expertise – always one of our strong points – will be very valuable when it comes to analyzing the projects that are now within our reach.

Changing Course in Québec and Ontario

Late in 2002, we received news indicating that, from now on Boralex's best avenues for future growth will likely be outside Québec. In point of fact, the provincial government's decision to put an end to small hydroelectric generating projects is very disappointing, especially since it completely ignores the conclusive results we are seeing on a number of rivers, including the Rimouski. Working together with many different stakeholders, we have shown that, far from damaging the environment, the construction of a small hydroelectric station can actually help to better protect threatened species such as salmon.

In Ontario, the government's decision to freeze the commodity price of electricity for low-volume consumers has thrown up some unexpected roadblocks with regard to our plans for natural gas-fired generating stations in that province. However, we remain convinced that our major 150 MW joint venture project with Toronto Hydro Energy Services is still essential, and have high hopes that it will go ahead in the future.

Clearly, investors have recognized Boralex's leadership and the outstanding quality of our power generation facilities.

2003 will be a year of significant growth for Boralex, a year during which we will pull even farther ahead of our competitors.

Growth Potential in Europe and the United States

The problems now plaguing a number of U.S. power producers could end up forcing many of them to shed production facilities in order to improve their financial conditions. This could produce some very attractive purchase opportunities and, given our healthy balance sheet and the financial capability freed up by the creation of the Fund, we will be able to take advantage of any such opportunities that might arise.

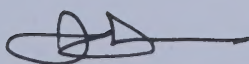


In Europe, where the Kyoto Protocol has become part of everyday life for the Economic Union countries, priority is now given to the development of renewable energy production units. In this context, our new wind farm in Avignonet-Lauragais, France, provides an operational model: it portends an extremely promising future for this field of expertise and should enable Boralex to gain a higher leadership profile in Europe. Our long-term contracts with *Électricité de France* (EDF) go that much further to support the prospect that, geographically speaking, Europe offers good potential for the development of wind farms. We are going ahead with a number of similar projects in France.


A Promising Future

In light of all this, we are confident that 2003 will be a year of significant growth for Boralex, a year during which we will pull even farther ahead of our competitors. Given the size of the stakes, we will remain alert to all interesting development opportunities, especially those which would give Boralex additional building blocks in any of our four fields of expertise. Furthermore, throughout fiscal 2003, we will continue our ongoing search for new projects of renewable, economical energy.

There is no denying that Boralex has become a force to be reckoned with in the power generation industry. By issuing capital stock in 2001 and creating the Fund in 2002, the Corporation has greatly improved its financial health. For this position of strength, we are quite clearly indebted to our shareholders and to all the investors who believe in our abilities and in our future. As well, it would be unpardonable not to emphasize how much we are also indebted to the 230 employees who form our management and work force. They are our most important resource; without them, we would never be able to reach any of our ambitious goals. Allow us to take this opportunity to express our thanks and to say how much we appreciate their indispensable contribution to the Corporation's ongoing success and development.



Jacques Gauthier
President and Chief Executive Officer



Bernard Lemaire
Executive Chairman of the Board

264 MW

Wood Residue





1

Jean Roy
General Manager, Wood-Residue Thermal
and Cogeneration Divisions

2

Mario Dugas
Fuel Procurement Supervisor

3

34.6 MW wood-residue thermal
power station in Senneterre (Québec)
owned by the Fund



2



3

Optimization and Diversification

As North America's largest producer of electricity from wood residue, Boralex makes an active contribution to environmental protection by recovering more than three million tonnes of material every year.

This division comprises eight thermal power stations with a combined installed capacity of 264 MW. Boralex owns six of these facilities located in the northeastern United States, and operates the other two, in Senneterre and in Dolbeau, for the Boralex Power Income Fund. The fuel used by these thermal power stations comes from the forest industry, which finds here a worthwhile destination for forest residues, paper mill sludge and spent oil, as well as from a variety of manufacturing companies and the construction industry.

There was no shortage of challenges for this division in 2002. The Canada-U.S. softwood lumber conflict forced a number of Québec sawmills to scale back their operations, which significantly reduced our supplies of bark. In response, we accelerated our research into alternative sources, helping yet again to recover material that would otherwise end up in landfill sites. The acquisition of Secure Wood Chips L.P. in December 2001 was a decisive move in this regard. Secure Wood Chips collects, sorts and recycles urban wood, processing some 70,000 tonnes of waste every year from the construction industry, tree pruning and Christmas tree recycling in the Montréal area.

Another milestone was getting the Senneterre power station commissioned on January 30, 2002. This new wood

residue-fired thermal power station with an installed capacity of 34.6 MW is supplied by local sawmills and has a long-term contract to sell electricity to Hydro-Québec.

In the U.S., the scarcity of wood residue supplies, combined with a significant increase in the price of this resource, reduced the profitability of our U.S. power stations in the second half of 2002. Since they were not bound by electricity supply contracts, we decided to temporarily shut down two of our five power stations in Maine. They will start up again as soon as electricity prices return to levels that will allow them to turn a profit. This decision is part of the responsible management of our power stations, and falls in with our determination to manage all of our operations for optimum performance.

In fact, Boralex is implementing a supply source diversification policy that is making us less vulnerable to circumstances beyond our control. In this way, we expect to minimize our dependence on the bark market while at the same time reducing production costs.

The production of electricity using wood residue has made great strides at Boralex in the past year. We doubled this division's installed capacity with the 2001 acquisition of three power stations in Maine. Furthermore, our Ferme-Neuve power station project in the Hautes-Laurentides region should increase our installed capacity in Québec by 20 MW and allow us to establish new long-term partnerships, notably with Hydro-Québec.



41 MW

Hydroelectricity



Economic Development and Environmental Protection Can Go Hand in Hand

Boralex has become one of the largest private producers of electricity in Canada. Hydroelectricity has always been one of the Corporation's preferred energy sources. It offers an environmentally friendly way of developing one of Québec's richest natural resources.

Today, Boralex owns two hydroelectric power stations in Québec, one in the United States and one in France. In addition it manages five others in Québec for the Boralex Power Income Fund. Together, these nine power stations have an installed capacity of 41.3 MW and produce an average of 242.0 GWh annually.

Even though fiscal 2002 was not a banner year for hydroelectricity due to the unusually low precipitation levels in Québec, these power stations still managed to keep production levels in line with averages for the past three years.

Given that all our power stations are either quite new or recently upgraded, our capital investments in this sector were low in 2002.

A great deal of attention and effort went into studying the Québec Dam Safety Act to ensure that all our dams in Québec comply with this new regulation.

As well, we upgraded our power station in La Rochette (Forces motrices du Joudron, S.A.) in order to increase its annual electricity production from 3.0 to 4.5 GWh by March 2003.

We would like to take this opportunity to highlight the efforts of the small team from the hydroelectric plant in Rimouski, where we worked in very close cooperation with the *Association des pêcheurs sportifs de saumon de la rivière Rimouski* to make this river a model of how to develop a natural resource. Since September 1997, when this power station was commissioned, the salmon and eel populations in the river have increased remarkably, demonstrating that it is possible for economic development and environmental protection to co-exist in harmony. A win-win situation can be attained. This encouraging achievement is discussed in more detail in the *Social and Environmental Report* section of this annual report.

We remain very confident about this sector's growth potential, especially in the United States and Europe. As well, we will continue to invest to optimize the performance of our facilities to improve our productivity while continuing to reduce production costs.

1


Denis Aubut
Manager, Hydroelectric
and Gas Cogeneration Divisions

2

Alain Pouliot
Maintenance Manager

3

One of the three hydroelectric
power stations at Forestville (Québec)
owned by the Fund



45 *MW*
Natural Gas



1
31.0 MW gas-fired cogeneration plant in Kingsey Falls (Québec) owned by the Fund

2
Patrick Decostre
Manager, Boralex S.A.

3
14.0 MW gas-fired cogeneration plant in Blendecques (France)



Full Steam Ahead for the New Blendecques Cogeneration Plant

A pioneer in the area of using natural gas to generate electricity, in 1989 Boralex became the first company to operate a gas-fired cogeneration plant in Québec. Today, this innovative power station, located in Cascades Inc.'s home town of Kingsey Falls, is still the only one of its kind in Québec. While Boralex continues to operate this power station, which has an installed capacity of 30.0 MW and an annual production of 215.0 GWh, it is now owned by the Boralex Power Income Fund. The steam and heat it produces are used to supply six other manufacturing plants in the area.

Since January 2002, Boralex has added a second gas-fired cogeneration plant. Located in Blendecques, France, this power station has an installed capacity of 14.0 MW and an annual production of 82.0 GWh. It supplies steam and heat to the nearby Norampac containerboard mill. A temporary increase in natural gas prices prompted the power station to shut down for six months, but it has now returned to normal operation and we expect it to have a promising future, thanks to the electricity it produces and sells to EDF under a 12 year agreement.

Using natural gas in cogeneration plants makes good sense, since this fossil fuel offers great flexibility and incomparable reliability, yet it has minimal environmental footprint. Steam production is targeted to fill the needs for thermal energy of customers that are located adjacent to cogeneration facilities.

In December 2002, Industélec Services S.A. and Boralex S.A. signed an agreement by which Boralex S.A. purchased all of Industélec's 50% interest in Boralex Industélec Services S.A.R.L., the company that operates the natural gas-fired cogeneration plant in Blendecques, France.

When the acquisition is completed in the second quarter of fiscal 2002-2003, Boralex will gain the full benefit of the profits generated by this 14.0 MW power station.



8 MW
Wind Turbines



An Extremely Promising Sector

Given the Corporation's desire to develop greater expertise in the production of renewable energy, it was only natural for Boralex to invest in wind energy, a sector where technological advances are providing a glimpse of a very promising future. The acquisition of a majority interest (65%) in Seris Éole SAS in December 2001 was a first step in this direction. It is already clear that this sector will rapidly gain importance among the Corporation's priorities.

1

Hugues Girardin
General Manager, Electric
and Wind Power Divisions

2

The 8.0 MW wind farm located
in Avignonet-Lauragais (France)

Barely eleven months after the initial investment at Avignonet-Lauragais, in southwestern France, ten wind turbines were already in operation and a 15-year contract had been signed providing for the sale of all the electricity produced by the wind farm to EDF.

Generating electricity using wind power requires a heavy investment in the early stages of the project, when high-performance wind turbines have to be installed at suitable locations. On the other hand, once the installation phase has been completed, the work force and investment needed to operate a wind farm are very small. The main factor is the use of the most powerful and reliable wind turbines, and the choice of locations where the wind is strong and steady enough to make the operation profitable and to guarantee sufficient annual production.

Our first experience with wind turbines meets these criteria admirably. The Avignonet-Lauragais wind farm is in an area particularly well-suited to harnessing the wind to produce electricity. The ten wind turbines already in service each generate 800 kW of electricity, and their total annual output of 20.0 GWh is enough to supply electricity for a population of about 10,000. New wind turbines will be installed in 2003, bringing our total installed capacity to 11.2 MW.

Boralex has been able to develop solid expertise in this area by joining with partners who have extensive experience. We are looking at other projects, notably in the north of France.

Our wind turbines will soon be under electronic remote control from our power station in Blendecques, France, and at the same time from the Corporation's control centre in Kingsey Falls. By constantly monitoring each unit, we can ensure that each wind turbine is in peak operational condition and keep maintenance and repair costs to a minimum.

Even though Québec's urban areas are not especially suitable for the use of wind turbines, there are other locations in the province where it could be possible to produce wind-generated electricity at a competitive cost. Boralex will closely monitor developments in this sector, and our expertise in this promising new field will be an extremely valuable asset for the Corporation.



Wood-residue Power Stations in Operation

Boralex

Boralex Ashland Inc.
Thermal Power Station
City: Ashland (Maine, USA)
Capacity: 40.0 MW
Annual Output: 240.0 GWh

Boralex Athens Energy Inc.
Thermal Power Station
City: Athens (Maine, USA)
Capacity: 16.0 MW
Annual Output: 110.0 GWh

Boralex Chateaugay Inc.
Thermal Power Station
City: Chateaugay (New York, USA)
Capacity: 20.0 MW
Annual Output: 140.0 GWh

Boralex Fort Fairfield Inc.
Thermal Power Station
City: Fort Fairfield (Maine, USA)
Capacity: 36.0 MW
Annual Output: 252.0 GWh

Boralex Livermore Falls Inc.
Thermal Power Station
City: Livermore Falls (Maine, USA)
Capacity: 40.0 MW
Annual Output: 240.0 GWh

Boralex Stratton Energy Inc.
Thermal Power Station
City: Stratton (Maine, USA)
Capacity: 50.0 MW
Annual Output: 370.0 GWh

Other Site

Secure
Urban wood recovery and sorting centre
City: Montréal (Québec, Canada)
Annual recycling capacity: 70 000 tons of wood

Boralex Power Income Fund

Boralex-Dolbeau Power Station
Cogeneration Power Station
City: Dolbeau (Québec, Canada)
Capacity: 28.0 MW
Annual Output: 164.0 GWh

Boralex-Senneterre Power Station
Thermal Power Station
City: Senneterre (Québec, Canada)
Capacity: 34.6 MW
Annual Output: 232.5 GWh



Hydroelectric Power Stations in Operation

Boralex

Boralex-East Angus Power Station
City: East Angus (Québec, Canada)
Capacity: 2.2 MW
Annual Output: 15.0 GWh

Boralex-Huntingville Power Station
City: Huntingville (Québec, Canada)
Capacity: 0.3 MW
Annual Output: 1.0 GWh

Forces Motrices du Joudron S.A.
City: La Rochette (France)
Capacity: 1.0 MW
Annual Output: 3.0 GWh

Cascades Energy Thorndike, Inc.
City: Thorndike (Massachusetts, USA)
Capacity: 1.1 MW
Annual Output: 4.0 GWh

Boralex Power Income Fund

Boralex-Beauport Power Station
City: Beauport (Québec, Canada)
Capacity: 4.5 MW
Annual Output: 21.5 GWh

Boralex-Buckingham Power Station
City: Buckingham (Québec, Canada)
Capacity: 9.9 MW
Annual Output: 76.0 GWh

Boralex-Forestville Power Station
City: Forestville (Québec, Canada)
Capacity: 12.7 MW
Annual Output: 61.0 GWh

Boralex-Rimouski Power Station
City: Rimouski (Québec, Canada)
Capacity: 3.6 MW
Annual Output: 20.5 GWh

Boralex-Saint-Lambert Power Station
City: Longueuil (Québec, Canada)
Capacity: 6.0 MW
Annual Output: 40.0 GWh



Natural-Gas Cogeneration Power Stations in Operation

Boralex

Boralex Industélec Services S.A.R.L.
Cogeneration Power Station
City: Blendecques (France)
Capacity: 14.0 MW
Annual Output: 82.0 GWh

Boralex Power Income Fund

Boralex-Kingsey Falls Power Station
Cogeneration Power Station
City: Kingsey Falls (Québec, Canada)
Capacity: 31.0 MW
Annual Output: 215.0 GWh



Wind Power Station in Operation

Boralex

Séris Éole S.A.S
City: Avignonet-Lauragais (France)
Capacity: 8.0 MW
Annual Output: 20.0 GWh



Continuing Our Pioneering Efforts

Whether producing electricity with hydroelectric dams, burning wood or natural gas, or storing the energy of the wind, Boralex bases all its actions and all its decisions on one principle: "Expansion with mutual respect and respect for our environment."

1
Carole Villeneuve
 Director of Communications

2
 The Rimouski River, an example of how economic development can go hand-in-hand with the protection and enhancement of aquatic fauna

This philosophy, which explains the Corporation's concern with the concept of green or renewable energy, is more than just a nice sentiment. It influences everything we do, from researching the optimal use of a natural resource to developing a code of ethics and working with environmental groups to protect animals and plants on land and in the water.

Boralex's efforts in this regard were both many and effective in fiscal 2002. Without giving an exhaustive list, we will highlight the actions that had an especially broad impact. The Corporation is particularly proud of its contribution to developing the Rimouski River and its salmon population. Working very closely with the *Association des pêcheurs sportifs de saumon de la rivière Rimouski*, in the past five years Boralex has helped to stock the river with more than 700,000 salmon fry; upstream and downstream migrations and egg incubation (using equipment installed on the premises of the hydroelectric power station) have been made possible through the investment of more than \$300,000. This has made the Rimouski River a world model of how economic development can be harmonized with

the enhancement of the natural environment. It is a model, too, of partnership between an electricity producer and local organizations. The construction of the power station in 1996 and Boralex's investments in environmental protection have in fact transformed a 24-km section of the river into an outstanding site for the protection and development of salmon and eel. In particular, we expect over 1,000 salmon to spawn in this river every year.

Naturally, Boralex doesn't limit its environmental involvement to just one sector, as can be seen, for example, from the Corporation's commitment to donate \$200,000 over five years to the Northern Wildlife Fund and the *Chaire de sylviculture et faune de la forêt boréale* of Laval University.

In 2002, the Corporation developed a new program focusing on the quality of the wood residue used as fuel in its thermal power stations. Once again, Boralex is ahead of the curve, having developed a code of ethics that covers its wood suppliers and shippers as well as its own power stations. This code sets out in detail the responsibilities of each stakeholder and specifies control measures meant to ensure that, all along the way, right up to combustion and ash disposal, the wood used by the power stations meets very strict environmental standards.

Furthermore, the Corporation has provided the operators of its hydroelectric generating stations with stringent guidelines to ensure that they comply fully with the provisions of Québec's new *Dam Safety Act*.

Always seeking to provide work conditions that employees find fulfilling, Boralex has adopted new occupational safety and health standards, along with a training program that will encourage all employees of the Corporation to enhance their knowledge.

Workplace safety and health will thus be a priority for Boralex and its entire workforce in 2003. The new policy introduced at the beginning of the year provides a formal commitment to adhere strictly to the principles and practices designed to protect the life and health of everyone, regardless of their working conditions. This is a concrete expression of Boralex's great concern for the quality of life of its employees.

Ongoing knowledge development is another factor that helps to motivate employees. Boralex encourages continuing training and, by the same token, enables each employee to play an active and beneficial role within the Corporation.

Beyond this commitment to employees, Boralex has increased its contributions to improving the social environment by working with community and cultural organizations wherever it does business.



1

Jean-Pierre Archambault
Legal Counsel and Assistant Secretary

2

Mylène Masse
Legal Counsel

Anne Duchesne
Human Resources Officer



Management's Discussion and Analysis of Operating Results and Financial Position

The creation of the Boralex Power Income Fund (the "Fund") has had a significant impact on the composition of the net earnings of Boralex (the "Corporation").

Germain Lecours
Vice-President and Chief Financial Officer

The Corporation sold four hydroelectric power stations, two wood residue-fired thermal power stations and one natural gas-fired cogeneration power station to the Fund on February 20, 2002. As compensation, Boralex received \$237 million in cash and a 34% interest in the Fund. The cash received was used mainly to repay long-term debt. Since February 20, the Corporation's results include 34% of the Fund's net earnings, whereas they formerly included 100% of the net earnings of the seven power stations sold to the Fund.

Operation Revenue

For the fiscal year ended September 30, 2002, consolidated revenue from energy sales stood at the record level of \$100.2 million, versus \$91.4 million for fiscal 2001. This 9.6% increase was due mainly to electricity sales from the new U.S. thermal power stations acquired near the end of fiscal 2001. The sale of seven power stations to the Fund in February 2002, on the other hand, had the effect of reducing overall consolidated revenue.

Revenue in the hydroelectricity sector amounted to \$5.1 million in 2002, compared to \$9.7 million for fiscal 2001. This decrease is due to the creation of the Fund and to the sale of four power stations to the Fund.

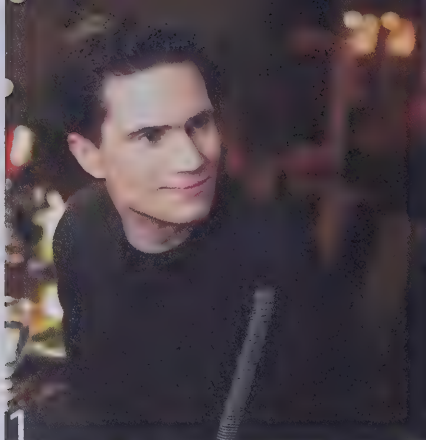
In the wood-residue sector, revenue totalled \$85.3 million in 2002, for an increase of \$24.0 million from 2001. This 39% increase stems from the new power stations acquired in the United States near the end of fiscal 2001, which made a full contribution to Boralex's revenue in 2002.

Revenue from the gas-fired cogeneration plants stood at \$9.7 million in 2002, versus \$20.8 million in fiscal 2001. The sale of the Kingsey Falls cogeneration plant to the Fund in February 2002 caused revenue in this sector to drop. On the other hand, the new gas-fired cogeneration plant in Blendecques, France, was commissioned in 2002 and made a \$1.1 million contribution to the year's revenue.

Following the creation of the Fund, in 2002 the Corporation recorded revenue of \$5.5 million from its 34% interest in the Fund. This is the first year this item appears in our financial statements. The Fund also paid management and operating fees to Boralex, which comprise the majority of the Corporation's other income for fiscal 2002.

EBITDA

The EBITDA is defined as earnings before amortization, financial expenses, interest income, unusual items, income taxes and non-controlling interests. EBITDA is not a measure of performance under Canadian generally accepted accounting principles; however, management uses this performance measure of assessing the operating performance of its reportable segments. Earnings for each segment are presented on the same basis as those of the Corporation.



For the fiscal year ended September 30, 2002, consolidated EBITDA stood at \$21.6 million versus \$31.0 million in 2001. The increase derived from the new U.S. power stations did not entirely offset the EBITDA lost due to the sale of the seven power stations to the Fund in February 2002.

EBITDA for the hydroelectricity sector totalled \$3.5 million in 2002, down \$3.4 million from 2001. This decline is due to the sale of four power stations to the Fund.

In the wood-residue sector, EBITDA was \$12.2 million in 2002 versus \$14.9 million in 2001. The new power stations acquired in the United States at the end of 2001 contributed \$2.9 million to EBITDA in 2002, but higher wood-residue prices in the U.S. and the shutdown of some power stations during the year had a negative impact on this sector's EBITDA. Furthermore, the Dolbeau power station was sold to the Fund and did not contribute to EBITDA after February 20, 2002.

EBITDA for the natural gas cogeneration sector amounted to \$2.8 million, down \$4.1 million compared to fiscal 2001. This decrease is due to the loss of the contribution of the Kingsey Falls power station, sold to the Fund in February 2002.

Management and operating charges for the Fund's power stations amounted to \$7.3 million and are associated to the operating and management fees recorded in other revenue. Financial expenses, net of interest income, totalled \$5.1 million, down \$5.3 million from 2001. This significant decrease resulted from the repayment of long-term debt using the proceeds of the sale of the seven power stations to the Fund in February 2002. Depreciation and amortization rose from \$8.7 million in 2001 to \$9.2 million in 2002. This increase reflects the depreciation of the new power stations in the United States, while the sale of power stations to the Fund helped to reduce these costs.

Unusual Items

Results for fiscal 2002 include an unusual gain of \$68.8 million from the sale of assets to the Fund. This gain was reduced by \$14.2 million, which was used to prepay the Corporation's long-term debt, and by \$8.1 million to reflect the restatement of certain asset values.

Net Earnings

The Corporation's net earnings for fiscal 2002 amounted to \$62.0 million or \$2.07 per share, compared with \$7.9 million or \$0.31 per share in 2001. Results for fiscal 2002 include an unusual gain net of taxes of \$58.7 million or \$1.96 per share, arising from the sale of power stations to the Fund. An analysis of the Corporation's net earnings for fiscal 2002 and 2001 is given on the accompanying chart.

The Corporation's net earnings for fiscal 2002 amounted to \$62.0 million or \$2.07 per share, compared with \$7.9 million or \$0.31 per share in 2001.

1
Nicolas Fontaine
Director, Finance

Distribution of net earnings

Fiscal years ended September 30
(in millions of dollars, except per-share amounts)

	2002	
	\$	Per share
Unusual items	58.7	1.96
Operations	3.3	0.11
Total	62.0	2.07
<hr/>		
	2001	
	\$	Per share
Unusual items	-	-
Operations	7.9	0.31
Total	7.9	0.31

Since February 2002, the Corporation has been receiving 34% of the distributions made by the Fund, which has a stability rating of SR-2 (positive outlook) from Standard and Poors, among the highest for this sector in Canada.



1
Daniel Cataphard
Director, Administration

Cash Flow

Cash flow from operations for fiscal 2002 amounted to \$11.4 million compared to \$19.4 million in 2001. This \$8.0 million decrease is due mainly to the impact of the temporary shutdowns of some power stations in the United States and to the loss of the cash flow generated by the power stations that were sold to the Fund.

Investment activities used \$35.7 million, not including the sale proceeds of \$237.8 million received from the Fund after it was created. Most of this amount – a total of \$33.2 million – was used to finish construction of the Senneterre power station (Québec), to build the Seris Éole wind farm in France, and to undertake major maintenance work on the wood residue-fired power stations in the United States.

Financing activities amounted to \$170.8 million, of which \$169.2 million was used to prepay the Corporation's long-term debt.

Financial Position

As at September 30, 2002, Boralex's assets amounted to \$278.0 million, down \$76.3 million from 2001. Property, plant and equipment totalled \$121.5 million compared to \$320.3 million in 2001; the Corporation also holds a net investment of \$88.7 million in the Fund. All these changes as compared to fiscal 2001 are due to the creation of the Fund.

Working capital totalled \$37.6 million as at September 30, 2002, compared with a shortfall of \$29.5 million in 2001. The debt/equity ratio, which was 1.2/1.0 as at September 30, 2001, improved considerably to 0.2/1.0 at the end of fiscal 2002.

Outlook

The creation of the Fund in 2002 changed Boralex's sources of funds significantly. Since February 2002, the Corporation has been receiving 34% of the distributions made by the Fund, which has a stability rating of SR-2 (positive outlook) from Standard and Poors, among the highest for this sector in Canada. At the Fund's current level of distribution, the distributions receivable by the Corporation will be about \$12 million per year, and will provide a very predictable source of cash.

At the end of fiscal 2002, the wood-residue power stations in the U.S. had short-term power purchase agreements, but the market for these power stations is in a state of flux, and longer-term contracts are not feasible at this time. Since the current market price in Maine is not high enough to justify operating all our power stations there, some of them have been temporarily shut down, and will only start up again when the electricity prices rise to where they can turn a profit. The Corporation's sustained efforts have resulted in a significant decrease in the cost of the wood residue used by our U.S. power stations, however, which has allowed three of them to maintain normal operations. Despite these market conditions, we expect our U.S. facilities to generate positive cash flows in fiscal 2003.

In the coming fiscal year, the Corporation is planning to invest \$2 million in the purchase of property, plant and equipment required to maintain our current production capacity. As well, \$4.3 million of long-term debt will have to be repaid. The Corporation's very strong balance sheet, which includes \$44.0 million in cash, and cash flow from operations, will enable Boralex to meet all its obligations and to take advantage of future acquisition opportunities.

The financial statements for the years ended September 30, 2002 and 2001, were completed by the management of Boralex Inc., reviewed by the Audit Committee and approved by the Board of Directors. They were prepared in accordance with accounting principles generally accepted in Canada and those consistent with the Corporation's business.

The Corporation and its subsidiaries maintain high quality systems of internal controls. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable. The information included in this Annual Report is consistent with the financial statements contained herein.

The financial statements have been audited by PricewaterhouseCoopers LLP, General Partnership, the Corporation's auditors, whose report is provided below.

Bernard Lemaire
Executive Chairman of the Board



Montréal, Canada
November 12, 2002

To the Shareholders of Boralex Inc.

We have audited the consolidated balance sheets of Boralex Inc. as at September 30, 2002 and 2001 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants



Montréal, Canada
November 1, 2002

Management's Report

Auditors' Report

As at September 30, 2002 and 2001
(in thousands of dollars)

Consolidated Balance Sheets

	Note	2002	2001
Assets			
Current assets			
Cash and cash equivalents		44,011	3,201
Accounts receivable		17,531	16,057
Inventories		2,640	3,623
		64,182	22,881
Investment	4 a)	88,680	-
Property, plant and equipment	5	121,538	320,348
Other assets	6	3,561	11,085
		277,961	354,314
Liabilities			
Current liabilities			
Bank loans and advances	7	-	15,239
Accounts payable and accrued liabilities		16,864	12,484
Income taxes		5,448	271
Current portion of long-term debt	8	4,308	24,425
		26,620	52,419
Long-term debt	8	32,889	153,172
Future income taxes	13	25,998	18,895
Non-controlling interests		584	545
		86,091	225,031
Shareholders' Equity			
Capital stock	10	110,789	110,789
Retained earnings		78,811	16,765
Cumulative translation adjustments		2,270	1,729
		191,870	129,283
		277,961	354,314

Approved by the Board of Directors:



Bernard Lemaire
Director



Germain Benoit
Director

For the years ended September 30, 2002 and 2001
(in thousands of dollars)

	2002	2001	
Balance—Beginning of year	16,765	11,290	<i>Consolidated Statements of Retained Earnings</i>
Net earnings for the year	62,046	7,884	
	78,811	19,174	
Increase in equity component of convertible debentures in 2001, net of future income taxes of \$105	-	(231)	
Share issue expenses in 2001, net of future income taxes of \$979	-	(2,178)	
Balance—End of year	78,811	16,765	

For the years ended September 30, 2002 and 2001
(in thousands of dollars, except per share amounts)

Consolidated Statements of Earnings

	Note	2002	2001
Revenue from energy sales		100,247	91,389
Operating costs		77,402	57,011
		22,845	34,378
Share in earnings of the Fund		5,512	-
Other revenue		9,537	1,400
		37,894	35,778
Expenses			
Management and operation of the Fund		7,304	-
Administration costs		9,029	4,799
		16,333	4,799
Earnings before the following		21,561	30,979
Amortization		(9,211)	(8,675)
Financial expenses	12	(5,666)	(11,664)
Interest income		582	1,228
Unusual items	11	68,837	-
		54,542	(19,111)
Earnings before income taxes		76,103	11,868
Provision for income taxes	13	13,983	3,939
		62,120	7,929
Non-controlling interests		(74)	(45)
Net earnings for the year		62,046	7,884
Net earnings per Class A share		2.07	0.31
Fully diluted net earnings per Class A share		2.05	0.31
Weighted average number of Class A shares		29,940,262	24,366,534

For the years ended September 30, 2002 and 2001
(in thousands of dollars)

Note **2002** **2001**

Operating activities		
Net earnings for the year	62,046	7,884
Distribution received from the Fund	4 a) 6,344	-
Items not affecting cash		
Share in earnings of the Fund	(5,512)	-
Unusual items	11 (68,837)	-
Amortization	9,211	8,675
Future income taxes	7,995	2,803
Non-controlling interests	74	45
Other	49	31
Cash flows from operations	11,370	19,438
Changes in non-cash working capital balances	14 (1,752)	(4,217)
	9,618	15,221
Investing activities		
Proceeds on disposal of property, plant and equipment, and other assets	11 a) 237,799	-
Purchase of property, plant and equipment	(33,216)	(38,776)
Other assets	454	(2,626)
Business acquisitions	3 (2,969)	(64,481)
	202,068	(105,883)
Financing activities		
Bank loans and advances	(15,239)	6,214
Increase in long-term debt	27,821	52,967
Payments of long-term debt	(169,159)	(25,897)
Prepayment of long-term debt	11 b) (14,162)	-
Net proceeds on issuance of shares	-	59,097
Non-controlling interests	(75)	(675)
	(170,814)	91,706
Translation adjustments on cash and cash equivalents	(62)	85
Net change in cash and cash equivalents during the year	40,810	1,129
Cash and cash equivalents—Beginning of year	3,201	2,072
Cash and cash equivalents—End of year	44,011	3,201
Supplemental disclosure		
Cash and cash equivalents paid for:		
Interest	6,132	14,548
Income taxes	1,166	952

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

1 Nature of operations and basis of consolidation

The Corporation operates principally as a private producer of energy. As at September 30, 2002, the Corporation had interests in four hydroelectric power stations (2001–eight), six wood-residue thermal and cogeneration power stations (2001–seven) and one natural gas cogeneration power station (2001–one), comprising a total capacity of 221 MW (2001–290 MW). Furthermore, a wind power station was under construction as at September 30, 2002 and will represent an additional power capacity of 11.2 MW. The Corporation also manages eight power stations owned by Boralex Power Income Fund (the “Fund”), in which the Corporation holds an interest, and two hydroelectric power stations (2001–five) on behalf of an entity controlled by a director of the Corporation.

These consolidated financial statements include the accounts of the Corporation, its subsidiaries and its joint venture.

2 Significant accounting policies

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they become known.

Revenue recognition

The Corporation recognizes its energy revenue when the energy produced is received by the client. Other revenue primarily includes management fees that are recognized when the service is provided.

Cash and cash equivalents

Cash includes cash on hand and bank balances. Cash equivalents include bankers’ acceptances and commercial paper that are readily convertible into known amounts of cash. These investments are recorded at cost plus accrued interest and their carrying value approximates their fair market value.

Inventories

Inventories represent wood residue and are valued at the lower of cost and net realizable value. Cost is determined using the average cost method.

Investment

The investment represents the Corporation’s share in the Fund and is recorded using the equity value method, reduced by the unrealized gain which is amortized using the straight-line method over a period of 20 years.

Property, plant and equipment and amortization

Property, plant and equipment, comprised mainly of power stations, are recorded at cost, including interest incurred during the period of construction of certain assets. Amortization is provided for from the date the assets are put into service using the compound interest method at an indexation rate of 3% for those stations with index-linked long-term sale contracts and using the straight-line method for the other stations over periods varying from 20 to 40 years. Replacement parts are valued at the lower of cost and replacement cost.

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

2 Significant accounting policies (cont'd.)

Restricted funds

Restricted funds represent funds held in trust for the purpose of satisfying long-term debt agreements. The funds, consisting of investment certificates, are valued at the lower of cost and fair market value.

Deferred costs

Deferred costs include deferred financing costs, amortized using the straight-line method over the term of the corresponding debt instruments, and expenses relating to water rights and hydraulic forces, amortized using the straight-line method over a period of 40 years. They also include expenses related to the development of new sources of fuel for the thermal power stations, amortized using the straight-line method over four years.

Project development costs

Project development costs include design and acquisition costs related to new projects. These costs are deferred up to the start of the construction of the new power station, at which time the costs are transferred to the cost of the power station. When the Corporation determines that the abandonment of a project is probable, the related costs are written off.

Income taxes

The Corporation uses the liability method in accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences will reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets arising from losses carried forward and temporary differences are recognized when it is more likely than not that the assets will be realized.

Foreign currency translation

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Unrealized gains and losses on translation of monetary assets and liabilities are included in the determination of net earnings for the year.

Foreign operations

The Corporation's foreign operations are defined as self-sustaining. The assets and liabilities of these operations are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average exchange rate for the year. Translation gains or losses are deferred and shown as a separate component in shareholders' equity.

Per-share amounts

Per-share amounts are determined based on the weighted average number of Class A shares outstanding during the year. In the determination of the per-share amounts, the increase in the equity component of the convertible debentures, net of related income taxes, has been subtracted from net earnings for the year.

Fair market values of financial instruments

The Corporation has estimated the fair market values of its financial instruments based on current interest rate environment, related market values and current pricing of financial instruments with comparable terms. The carrying values of its financial instruments approximate their fair market values, unless otherwise indicated.

Notes to Consolidated Financial Statements (cont'd.)

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

3 Business acquisitions

On December 18, 2001, the Corporation completed the acquisition of Secure Wood Chips, L.P., an entity specialized in wood processing and recycling, for a total cash consideration of \$1,340,000 (US\$850,000).

On December 20, 2001, the Corporation completed the acquisition of a 60% interest in a company in France, Sérís Éole S.A.S., which will construct and operate a 11.2 MW fourteen wind turbine facility. The commissioning of this facility is anticipated for the fall of 2002 for a portion of 8 MW of its installed capacity, with the remaining portion anticipated to be commissioned in the summer of 2003. This acquisition was completed for a total cash consideration of \$1,629,000 (€1,143,000).

On September 10, 2001, the Corporation acquired the assets of two wood-residue thermal power stations with an installed capacity of 40 MW each, for a cash consideration of \$42,073,000 (US\$26,868,000). In addition, following an interim management agreement, the Corporation realized management fees totalling \$3,234,000 between June 18, 2001 and the closing date of the transaction.

On July 6, 2001, the Corporation acquired all the outstanding shares of a corporation operating a wood-residue thermal power station with an installed capacity of 36 MW for a cash consideration of \$15,408,000 (US\$10,187,000).

On March 26, 2001, the Corporation acquired the 30% interest it did not own in the Société en commandite hydroélectrique Buckingham, to bring its interest to 100%. This transaction was carried out for a cash consideration of \$7,000,000.

These acquisitions have been accounted for using the purchase method. The accounts and the results of operations of these acquisitions are included in these financial statements from their respective date of acquisition. The following allocation of the purchase to the identifiable assets acquired and liabilities assumed did not result in any goodwill.

	2002	2001
Current assets	123	921
Long-term assets	3,121	63,749
Current liabilities	(275)	(189)
Total consideration	2,969	64,481

4 Fund

The Fund is an income fund in which the Corporation holds an interest of 34% as at September 30, 2002.

	2002
a) The investment in the Fund is made up of the following:	
Investment in units, at cost	137,680
Share in earnings	4,076
Share in the distributions	(7,348)
	134,408
Net unrealized gain	(45,728)
	88,680

The share in earnings of the Fund recorded in earnings includes the amortization of the unrealized gain amounting to \$1,436.

Share in the distributions include distribution received of \$6,344 and distribution to be received of \$1,004.

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

4 Fund (cont'd.)

- b) In relation to the Fund, the Corporation has committed:
- i) to provide, under the terms of a 20-year management agreement ending in 2022 with renewable successive five-year terms, operation, supervision, maintenance, security, management and administration services covering seven power stations owned by the Fund. These services cover all employee wages, salaries and benefits as well as the use of the Corporation's centralized control system. In exchange for these services, the Corporation will receive in monthly installments a fee totalling \$4.4 million per annum, which will be indexed annually on January 1 based on the percentage increases in the consumer products index for the 12 preceding months.
 - ii) to provide, under the terms of a service agreement ending January 28, 2023, operating and supervision services covering a power station owned by the Fund. The agreement covers wood-residue supply costs, salaries, supplies and spare parts, minor maintenance work (described as maintenance not exceeding \$250,000), and operating and administration costs. Major maintenance work and capital expenditures are assumed by the Fund. Annual fees to the Corporation for these services amount to \$9.1 million, indexed annually based on the percentage increases in the consumer products index for the 12 preceding months. However, under a service agreement with similar terms and conditions, the Corporation has contracted a third party, under its overview, for the operation and maintenance of this power station.
- c) Other revenue in the year ended September 30, 2002 include an amount of \$8,189,000 (2001—nil) earned from the Fund. This revenue is earned in the normal course of operations and is related to the commitments described in (b) above. As at September 30, 2002, accounts receivable include an amount of \$2,365,000 (2001—nil) to be received from the Fund and accounts payable and accrued liabilities include an amount of \$1,194,000 (2001—nil) payable to the Fund.
- d) For the period of February 20, 2002 to September 30, 2002, the Fund generated revenue of \$39 million, earnings before amortization and financial expenses of \$19.6 million and net earnings of \$12.1 million. Assets totalled of \$417 million as at September 30, 2002. All the revenue was realized in Canada and all property, plant and equipment of the Fund are located in Canada. During the same period, the Fund generated cash flows of \$14.5 million from its operations, disbursed \$270 million for its investing activities, which include purchases of property, plant and equipment totalling \$2.5 million, and received \$255 million from its financing activities.

Notes to Consolidated Financial Statements (cont'd.)

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

5 Property, plant and equipment**2002**

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net</i>
Power stations	117,429	11,904	105,525
Wind power station in progress and replacement parts	16,013	-	16,013
	133,442	11,904	121,538

2001

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net</i>
Power stations	294,130	37,948	256,182
Stations in progress and replacement parts	64,166	-	64,166
	358,296	37,948	320,348

Amortization of property, plant and equipment amounts to \$8,302 for the year ended September 30, 2002 (September 30, 2001 – \$8,012).

6 Other assets**2002****2001**

Restricted funds and other funds held in trust	149	3,984
Deferred costs	2,114	4,096
Project development costs	646	1,902
Other investments	652	1,103
	3,561	11,085

7 Bank loans and advances

As at September 30, 2002, the Corporation had a revolving credit facility in an authorized amount of \$10,000,000 repayable on December 31, 2002 at the latest. Of this amount, \$1.8 million was set aside in the form of letters of credit issued as part of a bid process by the Corporation (note 18(d)). This credit bears interest at a variable rate plus a spread that is calculated based on the level of credit drawn.

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

8 Long-term debt

a) Long-term debt comprises the following:

	2002	2001
Secured loan of an original amount of US\$13,500,000, bearing interest at a variable rate (September 30, 2002–3.38%), repayable on May 1, 2005	16,821	19,794
Secured term credit of an original amount of €7,165,000, of which 50% bears interest at a fixed rate of 6.29% and the remainder at a variable rate (September 30, 2002–4.86%), repayable in quarterly payments by 2013	10,905	-
Secured credit of an original amount of €3,811,000, bearing interest at a fixed rate of 6.50%, repayable in quarterly payments by 2012	5,624	4,941
Secured loan of an original amount of \$2,700,000, bearing interest at a fixed rate of 9.89%, repayable by 2010	1,848	1,987
Debt repaid during the year	-	150,561
Other	1,999	314
	37,197	177,597
Less: Current portion	4,308	24,425
	32,889	153,172

b) Property, plant and equipment of a power station located in the United States and of power stations located in France totalling \$48.4 million as at September 30, 2002, along with related working capital, have been pledged as collateral for the secured loans and credits. The loan agreements include certain restrictions in the use of cash flows of the subsidiaries of the Corporation.

c) As at September 30, 2002, the aggregate fair market value of the long-term debt was estimated at \$38,029,000 (September 30, 2001 – \$173,096,000), based on discounted future cash flows using interest rates available to the Corporation for debt issued with similar terms and conditions.

d) The estimated aggregate amount of repayments on long-term debt in each of the next five years is as follows:

2003	4,308
2004	4,563
2005	12,145
2006	1,482
2007	1,585

**Notes to
Consolidated
Financial
Statements (cont'd.)**

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

9 Convertible debentures

On April 4, 1997, the Corporation issued \$17,095,000 of unsecured convertible subordinated debentures bearing interest at the annual rate of 7% and maturing on April 4, 2007. These debentures were convertible into Class A shares at the price of \$6.90 per share until April 3, 2002, at \$7.20 per share between April 4, 2002 and April 3, 2004, and at \$7.50 per share thereafter. Furthermore, effective April 4, 2000, the Corporation could redeem the debentures prior to maturity or demand their conversion into Class A shares under certain conditions.

Following a notice of conversion issued by the Corporation, the remaining convertible debentures outstanding as at June 5, 2001 were exchanged for 2,472,522 Class A shares of the Corporation. The book value of the converted debentures, including the unamortized balance of the related liability component, net of future income taxes of \$759,000, has been included in capital stock in the previous year for a total amount of \$16,709,000.

10 Capital stock

a) Authorized

An unlimited number of Class A shares

Issued

	2002	2001
29,940,262 Class A shares (29,940,262 in 2001)	110,789	110,789

b) The transactions relating to Class A shares for the years ended September 30, 2002 and 2001 are detailed as follows:

	2002		2001	
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount
Balance—Beginning of year	29,940	110,789	19,404	31,827
Cash transactions				
New issue of shares	-	-	8,000	62,000
Exercise of options	-	-	63	253
Non-cash transactions				
Conversion of convertible debentures	-	-	2,473	16,709
Balance—End of year	29,940	110,789	29,940	110,789

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

10 Capital stock (cont'd.)

c) The Corporation has a stock option plan for the benefit of directors, senior management and certain key employees under which 1,500,000 Class A shares have been reserved. The exercise price equals the market value on the day preceding the date the options were granted. The options granted vest over a period of four years at 25% per year beginning at the grant date, with the exception of the options granted in 1996 and 1997 which vest over a period of five years at 20% per year beginning at the grant date. The stock options are detailed as follows for the years ended September 30, 2002 and 2001:

	2002		2001	
	<i>Number of options</i>	<i>Weighted average exercise price</i>	<i>Number of options</i>	<i>Weighted average exercise price</i>
Outstanding—				
Beginning of year	239,568	4.90	228,388	4.13
Exercised	-		(63,400)	4.00
Cancelled	-		(17,570)	3.80
Granted	70,514	8.63	92,150	6.00
Outstanding—End of year	310,082	5.75	239,568	4.90
Options exercisable—				
End of year	194,609	5.08	121,489	4.73

The following options were outstanding as at September 30, 2002:

<i>Options outstanding</i>			<i>Options exercisable</i>		
<i>Years granted</i>	<i>Number of options</i>	<i>Exercise price</i>	<i>Number of options</i>	<i>Exercise price</i>	<i>Years of expiration</i>
1996	38,956	4.10	38,956	4.10	2006
1997	25,000	5.70	25,000	5.70	2007
1999	43,760	4.00	43,760	4.00	2009
2000	39,702	3.64	23,189	3.61	2010
2001	92,150	6.00	46,075	6.00	2011
2002	70,514	8.63	17,629	8.63	2012
	310,082		194,609		

No expense is recognized when stock options are issued to management. Any consideration received on exercise of stock options is credited to capital stock.

Notes to Consolidated Financial Statements (cont'd.)

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

11 Unusual items

The unusual items are made up of the following:

Gain on sale of property, plant and equipment	91,057 ^{a)}
Costs incurred on prepayment of long-term debt	(14,162) ^{b)}
Write-down of assets	(8,058) ^{c)}
	<hr/> 68,837 <hr/>

a) Gain on sale of property, plant and equipment

On February 20, 2002, the Corporation completed the sale of seven power-generating facilities (the "Transaction"), consisting of four hydroelectric facilities, two biomass facilities and one gas-fired facility, to the Fund, a newly created income fund established primarily to purchase these facilities, for total net proceeds of \$375 million. This Transaction was paid for in cash for an amount of \$237 million and the balance of \$138 million as a 34% interest in the Fund. An amount equal to 34% of the gain, representing the Corporation's residual ownership in the Fund, has not been realized and is presented as a reduction of the investment in the Fund. As a result of this Transaction, the Corporation has recognized a gain of \$91.1 million before income taxes (\$75.5 million after tax).

The gain includes a provision of \$1.15 million as eventual settlement of the tax assessments received from the ministère du Revenu du Québec pursuant to the Loi sur la fiscalité municipale. This amount reflects an estimate of assessments received or to be received for the years 1997 to 2002 for taxes claimed on electricity revenue earned by the hydroelectric power stations transferred to the Fund. The Corporation continues to oppose similar assessments received for stations other than hydroelectric power stations.

The gain also includes a provision recorded to compensate the Fund for lower operating results compared with what was anticipated at the time of the Transaction. As such, the gain includes an amount of \$3.56 million as compensation for the lower operating results of a plant in its start-up phase. As at September 30, 2002, \$1.57 million had been paid to the Fund.

b) Costs incurred on prepayment of long-term debt

As a result of the Transaction, the Corporation used a significant portion of the cash proceeds received to repay existing outstanding long-term debt and the preferred shares of a subsidiary, representing \$163 million in repayment of principal and \$14.2 million in prepayment costs (\$11.2 million after tax).

c) Write-down of assets

The Corporation has written down to fair market value certain assets by a total amount of \$8.1 million (\$5.6 million after tax). These write-downs relate mainly to deferred financing costs for long-term debt prepaid by the Corporation, a permanent reduction in the asset values of two hydroelectric power stations and other projects under development which are unlikely to be realized.

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

12 Financial expenses

	2002	2001
Interest on long-term debt	4,795	11,477
Interest on liability component of convertible debentures	-	293
Dividends on redeemable preferred shares, paid during the year	258	638
Other interest	816	142
	5,869	12,550
Interest capitalized to stations in progress	(203)	(886)
	5,666	11,664

13 Income taxes

a) The provision for income taxes is as follows:

	2002	2001
Provision for income taxes		
Current	5,988	1,136
Future	7,995	2,803
	13,983	3,939

	2002	2001
	%	%
Provision for income taxes based on combined basic Canadian and Québec income tax rate	43.1	45.4
Increase (decrease) in income taxes arising from the following:		
Non-taxable portion of gain on sale of property, plant and equipment to the Fund	(26.8)	-
Deduction for manufacturing and processing and for active business income carried on in Québec	0.7	(11.6)
Large corporations tax	0.5	2.7
Difference in foreign operations statutory income tax rates	0.3	(1.2)
Unrecognized tax benefits	(0.2)	0.7
Non-controlling interest in earnings of a limited partnership	-	(0.3)
Other	0.8	(2.5)
	(24.7)	(12.2)
	18.4	33.2

Notes to Consolidated Financial Statements (cont'd.)

September 30, 2002 and 2001

(Tabular amounts are in thousands of dollars, unless otherwise specified)

13 Income taxes (cont'd.)

b) Future income taxes include the following items:

	2002	2001
Future income tax assets		
Tax benefit arising from losses carried forward	1,967	2,702
Provisions	1,480	-
Share issue expenses	597	979
Other	595	152
	4,639	3,833
Future income tax liabilities		
Investment	28,133	-
Property, plant and equipment	2,471	22,336
Other assets	33	392
	30,637	22,728
Future income taxes	25,998	18,895

c) The Corporation has accumulated losses for Federal and provincial income tax purposes amounting to approximately \$4.2 million, as well as €439,000 in France, which may be carried forward to reduce taxable income in future years and for which a future tax benefit has been recognized in the accounts. These unused losses for income tax purposes may be claimed in years ending no later than 2009.

14 Changes in non-cash working capital balances

	2002	2001
Decrease (increase) in		
Accounts receivable	(470)	(4,958)
Inventories	1,055	(2,446)
Increase (decrease) in		
Accounts payable and accrued liabilities	(6,648)	2,747
Income taxes	4,311	440
	(1,752)	(4,217)

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

15 Segmented information

The Corporation's power stations are grouped under three distinct segments: hydroelectric power, wood-residue thermal power and natural gas cogeneration power, and are engaged mainly in the production of energy. The classification of these segments is based on the different cost structures relating to each type of power station.

The Corporation analyzes the performance of its operating segments based on their EBITDA which is defined as earnings before amortization, financial expenses, interest income, unusual items, income taxes and non-controlling interests. EBITDA is not a measure of performance under Canadian generally accepted accounting principles; however, management uses this performance measure for assessing the operating performance of its reportable segments. Earnings for each segment are presented on the same basis as those of the Corporation.

a) Information by segment

2002

	<i>Hydroelectric power stations</i>	<i>Wood-residue thermal power stations</i>	<i>Natural gas cogeneration power station</i>	<i>Corporate and elimination</i>	<i>Total</i>
Revenue from energy sales	5,084	85,274	9,748	141	100,247
EBITDA	3,451	12,164	2,759	3,187	21,561
Purchase of property, plant and equipment	114	17,747	1,458	13,897	33,216
Assets	3,752	124,511	8,410	141,288	277,961

2001

	<i>Hydroelectric power stations</i>	<i>Wood-residue thermal power stations</i>	<i>Natural gas cogeneration power station</i>	<i>Corporate and elimination</i>	<i>Total</i>
Revenue from energy sales	9,744	61,324	20,810	(489)	91,389
EBITDA	6,922	14,859	6,900	2,298	30,979
Purchase of property, plant and equipment	228	31,359	6,882	307	38,776
Assets	57,330	243,786	43,521	9,677	354,314

Notes to Consolidated Financial Statements (cont'd.)

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

15 Segmented information (cont'd.)

b) Geographic information

	2002		2001	
	<i>Revenue from energy sales</i>	<i>Property, plant and equipment</i>	<i>Revenue from energy sales</i>	<i>Property, plant and equipment</i>
Canada	22,050	9,699	49,589	224,815
United States	77,139	91,804	41,800	89,510
France	1,058	20,035	-	6,023
	100,247	121,538	91,389	320,348

Revenues are attributed to countries based on the location of the customers.

c) In 2002, the Corporation had two customers accounting for more than 10% of its revenue: 55.1% and 14.1% (four in 2001—32.2%, 24.2%, 19.3% and 11.4%).

16 Related party transactions

In addition to the transactions with the Fund (note 4(c)), the Corporation entered into the following transactions with related parties:

	2002	2001
Company (and its subsidiaries) having significant influence over the Corporation		
Revenue from energy sales	3,102	9,167
Other revenue	330	304
Operating expenses	417	480
Entity controlled by a director of the Corporation		
Other revenue	517	650
Interest income	34	85

These transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year, the Corporation sold its interest in a project under development to a corporation owned by one of its directors for a cash consideration of \$416,000, representing market value at the time of the transaction.

The balance sheets as at September 30 include the following balances with related parties:

	2002	2001
Company (and its subsidiaries) having significant influence over the Corporation		
Accounts receivable	178	863
Accounts payable	1,014	585
Entity controlled by a director of the Corporation		
Accounts receivable	560	1,358

September 30, 2002 and 2001

(tabular amounts are in thousands of dollars, unless otherwise specified)

17 Interest in a joint venture

The major components of the Corporation's interest in a joint venture included in the consolidated financial statements are as follows:

	2002	2001
Consolidated balance sheets		
Current assets	1,174	33
Long-term assets	7,236	6,036
Current liabilities	810	380
Long-term debt	7,059	4,561
Consolidated statements of earnings		
Revenue	1,057	-
Costs	1,476	-
Net loss	419	-
Consolidated statements of cash flows		
Operating activities	(1,061)	-
Investing activities	(792)	(6,036)
Financing activities	1,196	4,941

18 Commitments and contingency

In addition to the commitments related to the Fund (note 4(b)), the Corporation is committed to the following:

- The Corporation is committed to sell all of its electricity production in Canada under long-term contracts expiring from 2010 to 2021 and renewable for periods of 18 to 25 years. The Corporation is also committed to sell its electricity production in France under contracts expiring from 2013 to 2017. The steam production from its cogeneration power station in France is sold under a long-term contract expiring in 2014.
- In accordance with a service agreement having similar terms and conditions as the one described in note 4(b)(ii), the Corporation has contracted a third party, under its overview, to provide operating and maintenance services at a power station owned by the Fund.
- Since 1999, the ministère du Revenu du Québec has been trying to impose on the private producers located in Québec, some of which are subsidiaries of the Corporation, a 3% tax on revenue realized after November 22, 1996 from the sale of electricity under the provisions of the *Loi sur la fiscalité municipale*. The assessments received by the subsidiaries of the Corporation amounted to \$1.8 million and cover the years 1997 to 2001. The Corporation has objected to the assessments related to its natural gas and wood-residue thermal power stations and questions their validity. A provision of \$1.275 million has been recorded in relation to actual and potential assessments for its hydroelectric power stations.
- Within the context of Hydro-Québec's public tender AOPCH-02, the Corporation has issued irrevocable letters of credit amounting to \$1.8 million as at September 30, 2002. These letters of credit bear interest at 2.88% annually, expire on September 30, 2003 and are renewable on the same terms until April 30, 2004. The letters of credit relating to the tenders that would not be retained by Hydro-Québec on November 29, 2002 will be cancelled at that date.

19 Comparative figures

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation adopted in 2002.

Notes to Consolidated Financial Statements (cont'd.)

In thousands of dollars, unless otherwise specified (unaudited)

Five-Year Financial Review

	2002	2001	2000	1999	1998 ⁽⁴⁾
Operations					
Revenue ⁽¹⁾	109,784	92,789	82,446	64,768	26,041
Share in earnings of the Fund	5,512	-	-	-	-
EBITDA ⁽²⁾	21,561	30,979	31,081	26,695	11,041
Net earnings	62,046	7,884	6,626	5,243	405
Cash flows from operations	11,370	19,438	17,846	14,641	5,384
Investments					
Purchase of property, plant and equipment	33,216	38,776	14,518	11,202	6,873
Business acquisitions	2,969	64,481	2,985	59,705	37,988
Financial position					
Working capital	37,562	(29,538)	(28,658)	(4,417)	2,548
Property, plant and equipment	121,538	320,348	223,349	210,686	130,737
Investment ⁽³⁾	88,680	-	-	-	-
Assets	277,961	354,314	246,167	234,726	148,376
Long-term debt, excluding current portion	32,889	153,172	130,856	153,612	85,364
Shareholders' equity	191,870	129,283	55,217	48,074	43,251
Class A share data					
Net earnings per share	\$2.07	\$0.31	\$0.32	\$0.25	\$0.00
Cash flows from operations per share	\$0.38	\$0.80	\$0.92	\$0.72	\$0.24
Shareholders' equity per share outstanding at the end of the period	\$6.41	\$4.32	\$2.85	\$2.48	\$2.23
Weighted average number of shares outstanding (in thousands)	29,940	24,367	19,398	19,398	19,402
Shares outstanding, end of period (in thousands)	29,940	29,940	19,404	19,397	19,402
Financial ratios					
Current ratio	2.41	0.44	0.33	0.76	1.37
Long-term debt to equity	0.17	1.18	2.37	3.19	1.97

⁽¹⁾ Revenue includes revenue from energy sales and other revenue.

⁽²⁾ Earnings before amortization, financial expenses, interest income, unusual items, provision for income taxes and non-controlling interests.

⁽³⁾ The investment represents the Corporation's interest in the Fund.

⁽⁴⁾ The 1998 financial information has been adjusted to reflect new standards of presentation.

Board of Directors

Bernard Lemaire ⁽¹⁾

Executive Chairman of the Board
Boralex Inc.
Chairman of the Board
Cascades Inc.

Jacques Gauthier ^{(1) (3)}

President and Chief Executive Officer
Boralex Inc.

Yves Rheault

Vice-Chairman of the Board
Boralex Inc.

Allan Hogg ^{(1) (2)}

Corporate Controller
Cascades Inc.

Richard Lemaire

President
Séchoirs Kingsey Falls Inc.

Germain Benoit ^{(2) (4)}

President
Capital Benoit Inc.

Gilles Shooner ^{(2) (3) (4)}

Environmental Consultant

Pierre Seccareccia ^{(2) (4) (5)}

Administrator of Corporations

⁽¹⁾ Member of the Executive Committee

⁽²⁾ Member of the Audit Committee

⁽³⁾ Member of the Environmental Committee

⁽⁴⁾ Member of the Corporate Governance Committee

⁽⁵⁾ Mr. Seccareccia joined the Board of Directors
of the Corporation on January 6, 2003

Management

Bernard Lemaire

Chairman of the Board

Jacques Gauthier

President and Chief Executive Officer

Germain Lecours

Vice-President and Chief Financial Officer

Denis Aubut

Manager, Hydroelectric and Gas
Cogeneration Division

Jean Roy

General Manager, Wood-Residue
Thermal and Cogeneration Divisions

Hugues Girardin

General Manager, Electric and
Wind Power Divisions

Robert F. Hall

Corporate Secretary

Jean-Pierre Archambault

Legal Counsel and Assistant Secretary

Registered Securities

Securities	Symbol	Exchange
Common Shares	BLX.A	Toronto

Principal Shareholder

(as at September 2002)

Cascades Inc.: 40%

Trading on Common Shares

Fiscal year ended September 30	Shares issued and outstanding	Public float	High	Low	Closing price as at September 30
2002	29,940,262	17,966,463	10.15	3.95	4.00
2001	29,940,262	17,966,463	11.95	5.00	5.80

Stock Data

General Information

Head Office

Borex Inc.
36 Lajeunesse Street
Kingsey Falls, Québec
J0A 1B0

Telephone: (819) 363-5860
Fax: (819) 363-5866

Principal Place of Business

Borex Inc.
770 Sherbrooke St. West
Montréal, Québec
H3A 1G1

Telephone: (514) 284-9890
Fax: (514) 284-9895

Transfer Agent and Registrar

Computershare Trust Company of Canada
1500 University Street
Suite 700
Montréal, Québec
H3A 3S8

Telephone: (514) 982-7270
1-800-564-6253

Fax: (416) 263-9394
1-888-453-0330

caregistryinfo@computershare.com

Cover and inside pages

Rolland New Life Satin ST
Cover 160M, text 160M

Financial section

Rockland buff, 120M



Shareholder Information

The Annual Meeting of Shareholders will be held on February 25, 2003, at 10:30 a.m., at the Omni Mont-Royal Hotel, Saisons Room A and B, 1050 Sherbrooke St. West, Montréal, Québec.

The 2002 Borex Inc. Annual Information Form will be available upon request from the Corporation's Montréal office as of February 17, 2003.

On peut se procurer la version française du présent rapport annuel en s'adressant à :
Borex inc.

*770, rue Sherbrooke Ouest
Montréal (Québec)
H3A 1G1*

Shareholder and Media Services

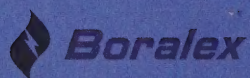
Borex Inc.
Carole Villeneuve
770 Sherbrooke St. West
Montréal, Québec
H3A 1G1

Telephone: (514) 985-1353
Fax: (514) 985-1355
Email: cvilleneuve@cascades.com

Web Site

Borex's press releases are available at:
<http://www.borex.com>

*We channel everything
into energy*



www.boralex.com